

# State of South Dakota

EIGHTY-FIRST SESSION  
LEGISLATIVE ASSEMBLY, 2006

571M0617

HOUSE COMMERCE COMMITTEE ENGROSSED NO.

**HB 1209** - 02/02/2006

Introduced by: Representatives Cutler, Bradford, Brunner, Buckingham, Dykstra, Gassman, Haley, Haverly, Hennies, Hills, Hunt, Jensen, Klaudt, Kraus, McCoy, Murschel, Rausch, Roberts, Schafer, Sigdestad, Street, Turbiville, Van Etten, and Willadsen and Senators Dempster, Abdallah, Bogue, Duenwald, Earley, Gray, Greenfield, Hanson (Gary), Knudson, Moore, Napoli, Nesselhuf, Olson (Ed), Sutton (Dan), and Sutton (Duane)

1 FOR AN ACT ENTITLED, An Act to revise certain provisions regarding payday loans.

2 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF SOUTH DAKOTA:

3 Section 1. That § 54-4-36 be amended to read as follows:

4 54-4-36. Terms used in ~~§§ 54-4-36 to 54-4-63, inclusive, and §§ 54-4-65 and 54-4-66~~ this  
5 chapter mean:

6 (1) "Advertisement," a commercial message in any medium that aids, promotes, or  
7 assists, directly or indirectly, the sale of products or services;

8 (2) "Commission," the State Banking Commission;

9 (3) "Director," the director of the Division of Banking of the Department of Revenue and  
10 Regulation;

11 (4) "Division," the Division of Banking;

12 (5) "Finance charge," the amount, however denominated, which is ~~paid or payable for~~  
13 ~~the privilege of paying for goods or services in one or more installments at the~~



1 ~~beginning of the transaction~~ the direct or indirect cost payable by a borrower for a  
2 loan;

3 (6) "Financing institutions," any person engaged in the business of creating and holding  
4 or purchasing or acquiring retail installment contracts;

5 (7) "Installment loan," a loan made to be repaid in specified amounts over a certain  
6 number of months;

7 (8) "License," a license provided by §§ ~~54-4-36 to 54-4-63~~, inclusive this chapter;

8 (9) "Installment loan contract" or "contract," an agreement evidencing a installment loan  
9 transaction;

10 (10) "Licensee," any person holding a license;

11 (11) "Loan," any installment loan, single pay loan, or open-end loan which may be  
12 unsecured or secured by real or personal property; ~~and~~

13 (12) "Payday loan," any ~~small~~, short-maturity loan on the security of a check, any  
14 assignment of an interest in the account of a person at a depository institution, any  
15 authorization to debit the person's deposit account, ~~or~~ any assignment of salary or  
16 wages payable to a person. A short-maturity loan made in anticipation of an income  
17 tax refund is not a payday loan for purposes of this chapter;

18 (13) "Regional revolving loan fund," a regional revolving loan fund with a service area  
19 of at least five South Dakota counties, a designated staff for loan processing and  
20 servicing, a loan portfolio of at least one million dollars, and which is governed by  
21 a board of directors that meets at least quarterly; and

22 (14) "Short-term consumer loan," any loan to any individual borrower with a duration of  
23 six months or less, including a payday loan.

24 Section 2. That § 54-4-58 be amended to read as follows:

1 54-4-58. The licensee shall disclose in any loan contract the following:

- 2 (1) The amount and date of the loan;
- 3 (2) The amount of the down payment, if any;
- 4 (3) The dates any payments are due and the amount of payments;
- 5 (4) A list of any property used to secure the loan;
- 6 (5) Any liens or title filings required;
- 7 (6) The method used to compute the charges;
- 8 (7) An explanation of ~~the charges~~ any fee or charge, including the cost of the loan as an
- 9 annual percentage rate (APR);
- 10 (8) Any fee or charge that may be applied for delinquency;
- 11 (9) The conditions for an extension of payment or maturity of the loan; ~~and~~
- 12 (10) Refinancing requirements, including any fee or charge; and
- 13 (11) The address and telephone number of the Division of Banking and that any
- 14 improprieties in making the loan or in loan practices may be referred to the division.

15 The licensee shall provide a copy of the loan contract to the debtor. A violation of this  
16 section is a Class 2 misdemeanor.

17 Section 3. That § 54-4-65 be amended to read as follows:

18 54-4-65. No licensee may renew, rollover, or flip a ~~payday~~ short-term consumer loan more  
19 than four times. No renewal, rollover, or flip is valid unless, at the time of the renewal, rollover,  
20 or flip, the debtor pays the outstanding fee at the time of the renewal and reduces the principal  
21 amount of the loan as provided in this section. Upon the first renewal, rollover, or flip and each  
22 subsequent renewal, rollover, or flip, the debtor shall reduce the principal amount of the loan  
23 by not less than twenty percent of the original amount of the loan.

24 Section 4. That § 54-4-40 be amended to read as follows:

1       54-4-40. Any person who engages in the business of lending money shall apply for a license  
2 as prescribed by §§ ~~54-4-36 to 54-4-63~~, inclusive this chapter. The applicant shall apply for a  
3 license under oath on forms supplied by the division. The application shall contain the name of  
4 the applicant's business, proof of surety bond, address of the business, the names and addresses  
5 of the partners, members, officers, directors, or trustees, and other information the director may  
6 consider necessary. The applicant shall pay an original license fee as set by rules of the  
7 commission promulgated pursuant to chapter 1-26 not to exceed one thousand dollars. If the  
8 application of an existing licensee is for an additional location, the application need only include  
9 the location and identity of the location manager, plus any changes from the existing license,  
10 or such other information the director may consider necessary. The State of South Dakota, any  
11 political subdivision of the state, and any quasi-governmental organization created by an  
12 executive order of the State of South Dakota and any subsidiary of such organization; any  
13 nonprofit corporation formed pursuant to chapter 47-22; any nonprofit United States Treasury  
14 Community Development Financial Institution, Small Business Administration Certified  
15 Development Company, or Regional Revolving Loan Fund; or any commercial club, chamber  
16 of commerce, or industrial development corporation formed pursuant to § 9-12-11 or 9-27-37  
17 is subject to this chapter but exempt from initial license fees, renewal fees, and surety bond  
18 requirements under this chapter.

19       Section 5. That § 54-4-42 be amended to read as follows:

20       54-4-42. The applicant shall submit with the application for a license a bond in an amount  
21 not to exceed the total of ten thousand dollars for the first license and two thousand five hundred  
22 dollars for each additional license. The bond shall be satisfactory to the director and issued by  
23 a surety company qualified to do business as a surety in this state. The bond shall be in favor of  
24 this state for the use of this state and any person who has a cause of action under §§ ~~54-4-36 to~~

1 ~~54-4-63, inclusive, this chapter~~ against the licensee. The bond shall be conditioned on:

2 (1) The licensee's faithful performance under §§ ~~54-4-36 to 54-4-63, inclusive, this~~  
3 ~~chapter~~ and any rules adopted pursuant to §§ ~~54-4-36 to 54-4-63, inclusive this~~  
4 ~~chapter~~; and

5 (2) The payment of any amounts that are due to the state or another person during the  
6 calendar year for which the bond is given.

7 The aggregate liability of a surety to all persons damaged by a licensee's violation of §§ ~~54-~~  
8 ~~4-36 to 54-4-63, inclusive, this chapter~~ may not exceed the amount of the bond.

9 Section 6. That § 54-4-48 be amended to read as follows:

10 54-4-48. The director may issue a cease and desist order from any practice that does not  
11 conform to the requirements set forth in §§ ~~54-4-36 to 54-4-63, inclusive, this chapter~~ or any  
12 commission rule, order, or condition imposed in writing, or any federal statute, rule, or  
13 regulation pertaining to consumer credit. A cease and desist order may be issued to any licensee  
14 or to any person engaging in the business of lending money without a license. A licensee  
15 aggrieved by such order may appeal pursuant to chapters 1-26 and 1-26D.

16 Section 7. That § 54-4-51 be amended to read as follows:

17 54-4-51. In addition to any other means provided by law for the enforcement of a restraining  
18 order or injunction, the court, in which the action is brought, may impound, and appoint a  
19 receiver for, the property and business of the defendant, including books, papers, documents,  
20 and records, as the court may deem reasonably necessary to prevent violations of §§ ~~54-4-36 to~~  
21 ~~54-4-63, inclusive this chapter~~. The receiver, when so appointed and qualified, shall control the  
22 custody, collection, administration, and liquidation of the property and business.

23 Section 8. That § 54-4-53 be amended to read as follows:

24 54-4-53. Any money received by the division pursuant to §§ ~~54-4-36 to 54-4-63, inclusive,~~

1 this chapter shall be deposited in the banking revolving fund.

2 Section 9. That § 54-4-55 be amended to read as follows:

3 54-4-55. Except for taxes on real property and license fees and other fees imposed by §§ ~~54-~~  
4 ~~4-36 to 54-4-63, inclusive~~ this chapter, the tax imposed in § 54-4-54 is in lieu of all other taxes  
5 and license fees, state, county, or local, upon the business of the licensee, or upon any money,  
6 credits, or other assets of the licensee whether tangible or intangible, and which money, credits,  
7 or other assets are used for or in connection with the conduct of business transacted in South  
8 Dakota. However, amounts determined to be in excess of business capital requirements are not  
9 exempt from other taxes.

10 Section 10. That § 54-4-57 be amended to read as follows:

11 54-4-57. The division may annually, or as often as the director considers necessary, conduct  
12 an examination of business records and accounts of any licensee licensed under §§ ~~54-4-36 to~~  
13 ~~54-4-63, inclusive~~ this chapter. The director may charge back to the licensee any cost associated  
14 with an on-site examination. The director may waive an on- site examination and only require  
15 an annual self-examination. If a licensee conducts a self-examination, the licensee shall provide  
16 any information requested under oath and on forms provided by the division by order or rule.  
17 The provisions of § 51A-2-35 apply to records and examination reports required under this  
18 chapter.

19 Section 11. That § 54-4-64 be amended to read as follows:

20 54-4-64. The provisions of §§ ~~54-4-36 to 54-4-63, inclusive,~~ this chapter do not apply to any  
21 person selling goods or services and providing financing for such goods or services.